

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Boston  
Contributory Retirement System  
For the Three Year Period  
January 1, 1997 - December 31, 1999  
PERAC 99: 07-021-09**

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January 28, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Boston** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from **January 1, 1997** to **December 31, 1999**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report. Please note that the City of Boston Treasurer's Office is not providing copies of bank reconciliations to the Boston Retirement Board as custodian of the funds, pursuant to G.L. c. 32 § 23. Pursuant to G.L. c. 32 § 24, if corrective action is not taken then the City of Boston Mayor's Office and Chief Financial Officer will be notified of this repeated violation.

In closing, I acknowledge the work of examiners David Pickering, Edward Johnson, Richard Ackerson, and James Sweeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

##### **A. CASH**

1. *Annual Statement Supporting Schedules:* The Investment Income section in the Annual Statement prepared by Di Pesa & Company, CPA, does not contain the required Supplemental Schedules. The missing Supplemental Schedules include:
  - Schedule 3A, Column F, Fixed Income Interest Received During Year
  - Schedule 3B, Column F, Fixed Income Paid Accrued Interest
  - Schedule 3C, Column H, Fixed Income Realized Gain/Loss On Sales
  - Schedule 4A, Column G, Equity Unrealized Gain/Loss on Sales
  - Schedule 4A, Column H, Equity Dividends Received During Year
  - Schedule 4C, Column H, Equity Gain/Loss on Sales
  - Schedule 4C, Column I, Equity Dividends Received During Year
  - Schedule 5, Pooled Funds

In addition, cash reported in the Investment Income sections for 1997, 1998 and 1999, does not reflect the cash value in Schedule 1, Column F, Cash Income Paid to the System but Not Reinvested or Redeposited.

**Recommendation:** The required Supplemental Schedules supporting specific line items in the Investment Income section of the Annual Statement must be included in the Annual Statement submittal to PERAC. Because of the large number of investments, in many cases, only summaries of major investment types need to be included in the Supplemental Schedules. In addition, a computerized accounting system with features to automatically prepare annual statements, as well as provide accounting controls, would increase accuracy and facilitate reporting.

**Board Response:** Annual Statement supporting schedules #3A, 3B, 3C, 4A, 4C, & 5 have not been included with the Annual Statement for the past decade, as it was understood between our external auditors and PERAC that the supporting detail was submitted to PERAC by our custodian bank. In past audit reviews, this was not a finding. Due to the large number of investments, the detail of transactions required in these schedules was so voluminous as to be unwieldy. In lieu of completing the schedules, the Board's custodial bank provides monthly account detail to PERAC. In addition, the Board retains outside independent auditors to annually audit and verify the Board's financial statements.

The Board will meet with its independent auditors to draft an alternative to the Annual Statement format for PERAC's consideration.

## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS** (Continued)

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

2. *Monthly Cash Reconciliation:* The retirement system does not receive copies of monthly cash reconciliations (including outstanding check lists) and bank statements from the Boston Treasurer's Office. The prior audit for the period ending December 31, 1996 noted that the Boston Treasurer's Office refused to supply the retirement system with any information concerning the reconciliations performed by the Treasurer's Office.

**Recommendation:** The City of Boston Treasurer's Office must provide the retirement system with monthly cash reconciliations, outstanding checklists, and copies of bank statements. The retirement system must develop procedures to review the cash reconciliations for completeness and accuracy. G.L. c. 32 § 24 states that if PERAC determines that any governmental unit or any officer or employee thereof has violated or neglected to comply with the prescribed rules and regulations, PERAC shall give notice thereof to the Governor, County Commissioners, Mayor, and Board of Selectmen, as appropriate, and to the Board. Thereafter, if such violation or neglect continues, PERAC shall forthwith present the facts to the Attorney General, who shall take appropriate action. Although no willful wrongdoing has been found, this is a serious finding and has been recommended to the Board in previous reports.

**Board Response:** The board objects to the characterization that the Treasury Department has "refused" to provide reconciliation information. During the audit period, outstanding check lists were infrequently provided. However, the Treasury Department is addressing this issue in programming a new approach to monthly bank reconciliation. The Treasury Department has also instituted a monthly cash reconciliation statement that is provided to the Board's financial staff.

3. *Cash Adjustments.* The City of Boston Treasury Department makes all decisions relating to adjustments and transfers as well as when to make them, without the knowledge or approval of the Boston Retirement System.

**Recommendation:** The Boston Retirement System must be aware of and agree with all adjustments made to cash accounts by the City of Boston Treasury Department.

**Board Response:** After the audit finding discussion with treasury officials, the treasurer's office has submitted reconciliation adjustments with supporting documentation (4 recent reconciliations) and will discuss implementing this on a monthly basis.

## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS** (Continued)

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

The following response is submitted by the Treasury Department:

The Collector-Treasurer as custodian for the Boston Retirement Board cannot perform any cash transactions without the prior consent of an authorized official of the Boston Retirement System. Source documentation originating from the Boston Retirement Board is required to make such transactions. Under no circumstances has the Treasurer knowingly made transactions without such documentation.

#### **B. ACCOUNTING**

1. *Recording Appropriation Payments.* A receivable account is set up for all appropriations based on the approved PERAC funding schedule. Each month, from July through December, Accounts Receivable (1398) is debited and Appropriations (4894) is credited for the amount of the required monthly payment. This accounting method gives the appearance that the retirement system is receiving payments on a timely basis, when in fact, timely payments are not being received.

**Recommendation.** The appropriation account should not be credited until the payment is actually received. The exception would be for payments received after year-end, since any outstanding appropriations are set up as a receivable at year-end.

**Board Response:** On a monthly basis, each governmental unit is invoiced their respective pension payment. The amount is posted as a receivable (debit) and the offsetting entry is to the Pension Fund Appropriation (credit). Cash is posted when received. Not only is this an acceptable accounting practice, it also serves as a reminder of past due amounts. Upon submitting the annual Pension Questionnaire, a schedule of payments received is included. Your comment states that this practice “gives the appearance that the system is receiving payment on a timely basis, when in fact, timely payments are not being received”. Then the same comment should be made of PERAC’s regulation to post the fiscal years last six months (January-June) Pension Appropriation as a receivable (debit) and a credit to Pension Fund Appropriation. Under this practice, the revenue is overstated by six months.

The Board will change its accounting practice to the manner PERAC requests for year 2003.

2. *Timely Appropriation Payments:* Sheriff of Suffolk County (SSC) is not making appropriation payments in accordance with the approved monthly funding schedule. SSC does not make any payments until well after the fiscal year-end.

## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS** (Continued)

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

**Recommendation:** Implement a procedure to ensure payments are made on a timely basis.

**Board Response:** The Sheriff of Suffolk County has not made timely payments. This matter has been brought to their attention in the past. They have stated that their funding is from grants and the funds are not received timely. They have been informed of the audit finding and will make every attempt to make payments timely. Current monthly billings notify S.C.S.D. of interest that will be added if payment isn't received within 30 days. This amount will then be added to the following month's bill. The Sheriff's Department is now current on FY 2002 pension appropriations. If the FY 2003 appropriation is not current, then we will ask the City Auditor to withdraw the funds from their account.

Board staff will meet with the City Auditor and the Sheriff's Department to implement a monthly transfer of appropriations via the City Auditor's office.

3. *Overpayment by Boston Housing Authority:* A review of appropriations' payment history indicates that the Boston Housing Authority overpaid their 1998 appropriation by \$45,175.98. This is equal to the payment made on 10/16/97.

**Recommendation.** The retirement system must review this overpayment and a future BHA payment should be reduced by the appropriate amount.

**Board Response:** The Authority makes payment sporadically (2 or 3 payments every month). Under this method, there could be overpayment or underpayment in some periods. However, the Authority is current.

4. *Change of Fund Balances:* All fund balance journal entries were reviewed for the audit period, and 1997 entries agree with the published fund balance amounts. However, for 1998, the published fund balance for the Annuity Savings Fund was overstated by \$201,953, and the balance of the Annuity Reserve Fund was overstated by \$126,763. A review of the journal entries and the work papers of the accounting firm of Charles DiPesa, CPA, did not disclose the reason for this discrepancy. Since the 1998 closing fund balances for the Annuity Savings Fund and the Annuity Reserve Fund are incorrect, the balances for 1999 and 2000 are also not in balance.

**Recommendation:** Year-end fund balance journal entries must agree with published fund balances.

## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS** (Continued)

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

**Board Response:** Although the bottom line amounts are correct, our external auditors did not properly detail the appropriate amounts in the respective columns. Starting with C/Y 2001, the detail information will balance to the respective fund balance.

5. *Annuity Reserve Interest Calculation.* Annuity Reserve Interest calculated and posted to the Annuity Reserve Fund was incorrect. The calculation of interest was done at year-end (3%) instead of monthly (0.25%) as prescribed under G.L. c. 32, § 22(6)(a)(ii).

**Recommendation.** The balance of the Annuity Reserve Fund must be adjusted and brought forward, and an adjusting entry of \$302,830.66 (as of December 31, 1999) made to the Annuity Reserve Fund to correct the compounding effect of interest calculated annually rather than monthly.

**Board Response:** The Annuity Reserve Interest Calculation has been calculated as stated on the prescribed form. The fact that the interest is to be compounded monthly is not stated on the form, nor was it mentioned in prior audits. The interest will be re-calculated accordingly from December 31, 1999 forward, and will be reflected in 2002.

### **C. MEMBERSHIP**

1. *Members' Deposit Control Card:* An examination of 134 membership records to determine if the correct percentage of retirement deductions was made yielded:
  - a) 41 files or 31% of the total sample could not be located and,
  - b) a number of members whose rate or date of membership was not clear.

In discussing the issue with the Executive Officer, it was stated that there are two computer programmers/analysts dedicated to the task of completely automating the membership function, and there is a payroll processing error report system in place as well to assist in upgrading the membership process.

**Recommendation:** A system must be implemented to ensure accessibility and accuracy of member records.

**Board Response:** There are two programmers assigned to automate the history files. In addition, we have engaged 3 auditor/data analysts to review, correct, and update members' files. For the past several years, weekly contribution history was electronically recorded from the employer's payroll file. In order to improve file management (missing files), staff members can now sign-off on the system if they pull a file.



## **Boston Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS** (Continued)

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

2. *Group Classification:* Several individuals in the Sheriff of Suffolk County's Office had incorrect group classifications.

**Recommendation:** After inquiry and discussion with the Executive Director, it was learned that each member's group classification is reviewed upon retirement and compared to his/her job description to ensure proper group classification.

#### **D. SYSTEM ADMINISTRATION**

1. *Minutes and Attendance:* The pages in the Minutes' Book were not pre-numbered or initialed by the Executive Director.

**Recommendation:** PERAC recommends that all pages of the Minutes' Book must be sequentially numbered or initialed.

**Board Response:** Every attempt will be made to sequentially number the pages in the Minutes Book. In addition, all meetings are taped and the tapes are archived.

2. *Blank Pages.* Several pages in the Minutes' Book were blank.

**Recommendation:** PERAC recommends that all blank pages must be labeled "void."

**Board Response:** Every attempt will be made not to leave any blank pages in the Minutes book and to secure trustees' signatures for the minutes for the meetings that they attend.

3. *Board Member appointment:* A member of the Board passed away on November 6, 2000, and since that date, a new member has not been appointed.

**Recommendation:** A new Board Member must be appointed as soon as possible. G.L. c. 32, § 20 requires that a retirement system is to be managed by a five-person board and that failure to fill all vacant positions in a timely manner is a violation of that section.

**Board Response:** As the vacancy on the Board occurred after the audit, the Board objects to PERAC's findings relative to a post audit occurrence. However, this vacancy was the Mayoral appointed member, thus the appointment was outside the Board's control. It should be noted that the Mayoral appointment was made on January 22, 2002 with the appointment of Brendan McDonough.

4. *Board Member Signatures.* There were eleven instances during the audit period where none of the Board Members signed the Minutes Book, and thirty instances where one or more member signatures were missing from the minutes.

**Recommendation.** Board Members are required to attend monthly meetings and to sign the Minutes' Book.

**Final Determination**

***PERAC auditors will follow-up in six (6) months to ensure appropriate action has been taken on all findings presented in this report.***

## Boston Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1997  
AND ENDING DECEMBER 31, 1999**

<b>ASSETS</b>	<b>FOR THE YEAR ENDING DECEMBER 31,</b>		
	<b>1999</b>	<b>1998</b>	<b>1997</b>
Cash	\$61,192,504	\$56,257,682	\$82,819,834
Short Term Investments	21,407,774	23,090,408	236,669
Fixed Income Securities (1999 at market value )	606,300,203	625,344,898	666,835,130
Equities	1,611,593,605	1,319,301,721	1,111,649,147
Pooled Alternative Investment Funds	25,487,898	18,670,164	-
Pooled Real Estate Funds	205,379,702	118,923,949	74,327,685
Pooled Venture Capital Funds	-	-	16,855,802
International Investments	630,143,081	455,305,308	323,514,360
Interest Due and Accrued	7,114,348	6,194,416	5,807,440
Accounts Receivable	105,915,026	93,391,383	89,625,925
Accounts Payable	(39,928,204)	(20,791,160)	(11,509,566)
<b>TOTAL</b>	<b><u>\$3,234,605,937</u></b>	<b><u>\$2,695,688,769</u></b>	<b><u>\$2,360,162,426</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$885,034,188	\$830,393,427	\$781,453,859
Annuity Reserve Fund	231,463,566	227,938,106	225,663,272
Military Service Fund	58,183	56,931	55,597
Pension Fund	798,981,520	782,841,846	788,941,665
Expense Fund	-	-	-
Pension Reserve Fund	1,319,068,480	854,458,459	564,048,033
<b>TOTAL</b>	<b><u>\$3,234,605,937</u></b>	<b><u>\$2,695,688,769</u></b>	<b><u>\$2,360,162,426</u></b>

## Boston Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1997  
AND ENDING DECEMBER 31, 1999**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Military Service Fund</b>	<b>Pension Fund</b>	<b>Pension Reserve Fund</b>	<b>Expense Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (1997)</b>	\$753,333,684	\$209,762,029	\$54,241	\$800,492,323	\$288,927,210	\$38,169	<b>\$2,052,607,656</b>
Receipts	80,849,777	6,574,521	1,356	151,508,702	304,466,959	6,585,823	<b>549,987,138</b>
Interfund Transfers	(36,059,001)	36,267,436	-	29,137,701	(29,346,136)	-	<b>0</b>
Disbursements	<u>(16,670,601)</u>	<u>(26,940,714)</u>	<u>-</u>	<u>(192,197,061)</u>	<u>-</u>	<u>(6,623,992)</u>	<b><u>(242,432,368)</u></b>
<b>Ending Balance (1997)</b>	<b>781,453,859</b>	<b>225,663,272</b>	<b>55,597</b>	<b>788,941,665</b>	<b>564,048,033</b>	<b>0</b>	<b>2,360,162,426</b>
Receipts	86,156,080	6,717,609	1,334	159,477,196	318,097,202	7,827,775	<b>578,277,196</b>
Interfund Transfers	(23,415,550)	23,415,550	-	27,686,776	(27,686,776)	-	<b>0</b>
Disbursements	<u>(13,800,962)</u>	<u>(27,858,325)</u>	<u>-</u>	<u>(193,263,791)</u>	<u>-</u>	<u>(7,827,775)</u>	<b><u>(242,750,853)</u></b>
<b>Ending Balance (1998)</b>	<b>830,393,427</b>	<b>227,938,106</b>	<b>56,931</b>	<b>782,841,846</b>	<b>854,458,459</b>	<b>0</b>	<b>2,695,688,769</b>
Receipts	91,894,845	6,824,027	1,252	167,584,488	509,887,581	9,257,754	<b>785,449,947</b>
Interfund Transfers	(25,559,001)	25,645,984	-	45,190,580	(45,277,560)	-	<b>3</b>
Disbursements	<u>(11,695,083)</u>	<u>(28,944,551)</u>	<u>-</u>	<u>(196,635,394)</u>	<u>-</u>	<u>(9,257,754)</u>	<b><u>(246,532,782)</u></b>
<b>Ending Balance (1999)</b>	<b><u>\$885,034,188</u></b>	<b><u>\$231,463,566</u></b>	<b><u>\$58,183</u></b>	<b><u>\$798,981,520</u></b>	<b><u>\$1,319,068,480</u></b>	<b><u>\$0</u></b>	<b><u>\$3,234,605,937</u></b>

# Boston Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1997  
AND ENDING DECEMBER 31, 1999**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$71,163,448	\$64,982,509	\$60,363,842
Transfers from other Systems	972,539	1,047,994	651,538
Member Make Up Payments and Redeposits	1,490,203	1,370,685	1,001,055
Investment Income Credited to Member Accounts	18,268,655	18,754,892	18,833,342
<b>Sub Total</b>	<b><u>91,894,845</u></b>	<b><u>86,156,080</u></b>	<b><u>80,849,777</u></b>
<b>Annuity Reserve Fund:</b>			
Workman's Comp. Credits	\$75,234	-	-
Investment Income Credited Annuity Reserve Fund	<b><u>6,748,793</u></b>	<b><u>6,717,609</u></b>	<b><u>6,574,521</u></b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	929,542	876,022	823,212
Received from Commonwealth for COLA and			
Survivor Benefits	19,398,820	20,735,155	17,161,490
Refund of Pension	30,915	-	-
Pension Fund Appropriation	147,225,211	137,866,019	133,524,000
<b>Sub Total</b>	<b><u>167,584,488</u></b>	<b><u>159,477,196</u></b>	<b><u>151,508,702</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account			
of Military Service	-	-	-
Investment Income Credited Military Service Fund	<u>1,252</u>	<u>1,334</u>	<u>1,356</u>
<b>Sub Total</b>	<b><u>1,252</u></b>	<b><u>1,334</u></b>	<b><u>1,356</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	108,562	77,587	959,778
Investment Income Credited to Expense Fund	<u>9,149,192</u>	<u>7,750,188</u>	<u>5,626,045</u>
<b>Sub Total</b>	<b><u>9,257,754</u></b>	<b><u>7,827,775</u></b>	<b><u>6,585,823</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	2,482,828	2,463,438	3,437,054
Pension Reserve Appropriation	-	-	-
Interest Not Refunded	221,776	225,212	247,288
Other Income	-	-	(301)
Excess Investment Income	507,182,977	315,408,552	300,782,918
<b>Sub Total</b>	<b><u>509,887,581</u></b>	<b><u>318,097,202</u></b>	<b><u>304,466,959</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$785,449,947</u></b>	<b><u>\$578,277,196</u></b>	<b><u>\$549,987,138</u></b>

# Boston Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1997  
AND ENDING DECEMBER 31, 1999**

	FOR THE PERIOD ENDING DECEMBER 31,		
	1999	1998	1997
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$9,042,162	\$11,230,716	\$15,368,160
Transfers to other Systems	2,652,921	2,570,246	1,302,441
<b>Sub Total</b>	<b><u>11,695,083</u></b>	<b><u>13,800,962</u></b>	<b><u>16,670,601</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	27,808,995	26,829,143	25,902,535
Option B Refunds	1,135,556	1,029,182	1,038,179
<b>Sub Total</b>	<b><u>28,944,551</u></b>	<b><u>27,858,325</u></b>	<b><u>26,940,714</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	134,803,755	131,627,393	132,305,510
Survivorship Payments	7,575,264	7,793,618	7,467,619
Ordinary Disability Payments	3,082,617	3,055,962	3,000,003
Accidental Disability Payments	30,329,890	30,361,846	29,595,209
Accidental Death Payments	11,616,810	11,392,609	10,986,922
Section 101 Benefits	2,101,829	2,020,725	1,987,232
3 (8) (c) Reimbursements to Other Systems	7,125,229	7,011,638	6,854,566
State Reimbursable COLA's Paid	-	-	-
Chapter 389 Beneficiary Increase Paid	-	-	-
<b>Sub Total</b>	<b><u>196,635,394</u></b>	<b><u>193,263,791</u></b>	<b><u>192,197,061</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who			
Withdrew Their Funds	-	-	-
<b>Sub Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Expense Fund:</b>			
Board Member Stipend	12,182	11,954	11,707
Salaries	1,535,672	1,473,552	1,337,536
Legal Expenses	60,279	44,504	39,465
Medical Expenses	19,025	16,997	5,079
Travel Expenses	3,595	2,766	6,507
Administrative Expenses	128,189	114,203	113,594
Furniture and Equipment	87,852	29,972	162,993
Management Fees	6,637,227	5,463,197	4,242,284
Consultant Fees	309,644	213,075	283,000
Custodial Fees	464,089	457,555	421,827
<b>Sub Total</b>	<b><u>9,257,754</u></b>	<b><u>7,827,775</u></b>	<b><u>6,623,992</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$246,532,782</u></b>	<b><u>\$242,750,853</u></b>	<b><u>\$242,432,368</u></b>

# Boston Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1997  
AND ENDING DECEMBER 31, 1999**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Investment Income Received From:</b>			
Cash	\$6,775,724	\$4,723,128	\$6,941,657
Short Term Investments	-	-	-
Fixed Income	24,339,680	23,822,634	26,907,662
Equities	10,343,104	9,292,098	6,969,158
Real Estate	-	-	5,004,440
Venture Capital	-	-	1,050,185
International Investments	-	-	9,963,194
Commission Recapture	-	6,435	61,243
Pooled or Mutual Funds	16,743,246	15,322,630	-
<b>TOTAL INVESTMENT INCOME</b>	<b><u>58,201,754</u></b>	<b><u>53,166,925</u></b>	<b><u>56,897,539</u></b>
<b>Plus:</b>			
Increase in Amortization of Fixed Income Securities	-	421,583	1,785,882
Realized Gains	117,018,583	95,887,479	59,160,798
Unrealized Gains (Increase in Market Value)	399,720,957	239,865,718	249,426,985
Interest Due and Accrued on Fixed Income Securities - Current Year	7,114,348	6,194,416	5,807,440
<b>Sub Total</b>	<b><u>523,853,888</u></b>	<b><u>342,369,196</u></b>	<b><u>316,181,105</u></b>
<b>Less:</b>			
Decrease in Amortization of Fixed Income Securities	-	(850,007)	(1,978,406)
Realized Loss (Loss on Sale of Investments)	(22,515,722)	(38,100,650)	(28,744,027)
Unrealized Loss	(10,096,857)	-	-
Paid Accrued Interest on Fixed Income Securities	(1,897,778)	(2,145,449)	(4,028,366)
Interest Due and Accrued on Fixed Income Securities - Prior Year	(6,194,416)	(5,807,440)	(6,509,663)
<b>Sub Total</b>	<b><u>(40,704,773)</u></b>	<b><u>(46,903,546)</u></b>	<b><u>(41,260,462)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>541,350,869</u></b>	<b><u>348,632,575</u></b>	<b><u>331,818,182</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	18,268,655	18,754,892	18,833,342
Annuity Reserve Fund	6,748,793	6,717,609	6,574,521
Military Service Fund	1,252	1,334	1,356
Expense Fund	9,149,192	7,750,188	5,626,045
<b>TOTAL INCOME REQUIRED</b>	<b><u>34,167,892</u></b>	<b><u>33,224,023</u></b>	<b><u>31,035,264</u></b>
Net Investment Income	<u>541,350,869</u>	<u>348,632,575</u>	<u>331,818,182</u>
Less: Total Income Required	<u>34,167,892</u>	<u>33,224,023</u>	<u>31,035,264</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$507,182,977</u></b>	<b><u>\$315,408,552</u></b>	<b><u>\$300,782,918</u></b>

## Boston Retirement System

### STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$61,192,504	\$61,192,504	1.94%	100
Short Term	21,407,774	21,407,774	0.68%	100
Fixed Income **	606,300,203	606,300,203	19.18%	40 - 80
Equities	1,611,593,605	1,611,593,605	50.98%	40
Pooled Alternative Investment Funds	25,487,898	25,487,898	0.81%	
Pooled Real Estate Funds	205,379,702	205,379,702	6.50%	
Pooled International Balanced Funds	<u>630,143,081</u>	<u>630,143,081</u>	<u>19.93%</u>	
<b>GRAND TOTALS</b>	<b><u>\$3,161,504,767</u></b>	<b><u>\$3,161,504,767</u></b>	<b><u>100.00%</u></b>	

\*\* 1999 Annual Statement shows fixed income securities at market value only.

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending **December 31, 1999**, the rate of return for the investments of the **Boston** Retirement System was 17.74%. For the five-year period ending **December 31, 1999**, the rate of return for the investments of the **Boston** Retirement System averaged 17.54%. For the fifteen-year period ending **December 31, 1999**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Boston** Retirement System was 12.81%.



## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

The **Boston** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

March 18, 1986.

- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 5% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.
- 20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however 5% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent.

June 27, 1986

- 20.07 (9) Real estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and real estate limited partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners, and
  - such trustees or general partners retain authority in the decision making process, and
  - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

August 6, 1986

- 20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.
- 20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

December 1, 1986

- 10.09(3) All venture capital investments shall be made in U.S. based corporations.

December 11, 1986

- 20.08(e) Enrollment in Securities Lending Programs offered by a custodian bank.

March 6, 1987

- 20.06(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve month period, excluding cash and short term obligations

## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

July 15, 1987

- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States Stock Exchange, traded over the counter in the United States, or listed and traded on the foreign exchanges of the countries listed in the attached Exhibit I.
- 20.08(f) Cash or cash equivalent investments may be made in the foreign currencies of the countries listed in Exhibit I, however, foreign currency speculation is prohibited.

August 11, 1987

- 16.02(2) No person who is not a qualified investment advisor as defined by 840CMR 16.01(4) shall advise any board on investments or manage on behalf of any board the funds of any system; provided however, there shall be an investment advisory committee which shall, upon a majority vote of the full committee, make or recommend investments not otherwise made or recommended by investment advisors managing retirement system assets pursuant to 840 CMR 19.00. Said committee shall consist of the elected, ex officio and appointed members of the retirement board, the Assistant City Auditor, Charles M. White, and a representative of each investment advisor managing retirement system assets pursuant to 840 MCR 19.00. There shall be a minimum of five such investment advisors on the committee at all times.

December 19, 1989

- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services; however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of B or equivalent or better as rated by one or more recognized bond rating services.

## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

May 11, 1990

- 20.03(1) Equity investments shall not exceed 70% of portfolio valued at market, including international equities which shall not exceed more than 12% of the portfolio valued at market.
- 20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 5% of the portfolio valued at market.
- 20.04(6) The board may invest in obligations issued by foreign corporations and in obligations issued and guaranteed by foreign governments.
- 20.07(9) Real estate investments shall not exceed 10% of the total market value of the portfolio at the time of purchase and shall consist of real estate trusts and real estate limited partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
  - (b) such trustees or general partners retain authority in the decision making process, and
  - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

May 11, 1990

- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange; with the exception of those investments which are leveraged buyout investments.
- 21.00(8) Collateral loans, with the exception of those investments which are leveraged buyout investments.

April 10, 1991

- 16.02(4) The board may charge custodian bank expenses against earned income from investments in an amount not to exceed .06% of the market value of the assets of the system on an annual basis.

April 25, 1991

- 18.02(4) Rate of return. A statement of the rate of return objective for the entire portfolio which shall be equal to or in excess of an 8% actuarial return or a premium over an index comprised of 30% S&P and 70% Shearson Lehman Govt/Corp Bond Index.

## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

May 5, 1992

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investment and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
  - (b) such personnel retain authority in the decision making process; and
  - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

July 16, 1992

- 20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
  - (b) such personnel retain authority in the decision making process; and
  - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

(a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;

- (b) such personnel retain authority in the decision making process; and
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

August 8, 1996

- 20.06(10) Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time purchase. These Rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints pertaining to corporate bonds including those stated in the Statement of Objectives (Form 18-1) and PERA Regulations 840 CMR.

May 28, 1997

- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating B or equivalent as rated by one or more recognized bond rating services.
- 20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating B or equivalent.

July 16, 1997

- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating B or equivalent as rated by one or more recognized bond rating services and 1% of the market value of fixed income investments may be invested in bonds with a minimum quality rating below B or equivalent as rated by one or more recognized bond rating services.

April 17, 1998

- 20.07(10) Real estate investments may be made by Invesco Realty Advisors utilizing Internal Revenue Code s.501(c)(25) corporations as investment vehicles for interest in real property. Such investments shall be limited to 50% of the commingled real estate allocation as stated in 840 CMR 20.07(9)

## **Boston Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

February 07, 2000

16.08 In accordance with PERAC Investment Guideline 99-3, the Boston Retirement Board may invest in TH Lee Putnam Internet Partners, L.P. The board has been a participant in two previous TH Lee Partnerships with very satisfactory returns. The management team for this partnership is the same entity as the previous ones; the name change refers to a corporate reorganization under which Putnam Investments, Inc. now owns 25% of the capital interests. The technology focus of the new partnership will provide diversification to the Board's private equity investments in that the previous partnerships have focused on more traditional industries.

# **Boston Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Boston** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of

## **Boston Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually reduced such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.



## **Boston Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited all income derived from interest and dividends of invested funds. At the end of the year the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Boston** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

January 26, 20001  
Teachers & Credible Service

#### **Rule 2001-1: TEACHERS IN THE PUBLIC SCHOOLS OF THE CITY OF BOSTON**

A "teacher," is any person employed under a contract with the Boston School Committee on a basis of not less than half-time service who :

## **Boston Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)**

- (a) is deemed to be a teacher by the Boston School Committee and
- (b) performs services in a job title included in or substantially similar to those enumerated in Mass. Gen. Laws. c. 32, §1, paragraph 55 ("Teacher") or Mass. Gen. Laws. c.71, §38G, paragraph 19, and
- (c)
  - (i) holds a certificate required by the Board of Education of the Commonwealth or
  - (ii) has been granted a waiver pending certification by the Board of Education, or
  - (iii) has been approved as an apprentice teacher in accordance with the provisions of St. 1985, c. 188, §21 or
  - (iv) is exempted from the requirement of certification by the Commissioner of Education upon the request of the superintendent or by law or regulation.

##### **Rule 2000-5: RETIREMENT CREDIT FOR SERVICE RENDERED AS A PART-TIME MEMBER**

- (1) A member whose entire service is in a part-time position shall receive one year of creditable service for each year worked provided the member works the number of hours required by the position held.
- (2) A member employed on a part-time basis who becomes full-time shall receive credit for his part-time service on a pro-rated basis as it relates to a full-time position.
- (3) A member employed on a full-time basis who becomes part-time shall receive credit for his part-time service on a pro-rated basis as it relates to a full-time position.
- (4) Any member employed on a part-time basis on or before November 21, 2000, shall receive creditable service as though full-time creditable service had been performed.

September 27, 2000  
Maternity Service Purchase

Boston Retirement Rule 2000-2 regulates the buyback of up to four years of maternity leave by teachers who are members of the State-Retirement System, as permitted by G.L. c. 32, §4(1)(g-1/2), which was inserted by Chapter 114 of the Acts of 1999.

## **Boston Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)**

June 9, 1999

Buy-backs military service

Upon receipt of a member's application for military credit under c. 71 of the Acts of 1996, the Board shall further prepare a bill for the cost of the buyback. Upon the member's receipt of a bill for the military service credit, the member must within 60 days of receipt of the bill, either (i) pay the bill in full or (ii) enter into a payment schedule for full payment of the bill.

Payment schedules for the buyback of military service credit shall be available to a member whose buyback bill exceeds \$1,000.00. Payment schedules must be completed within a five-year period or before the member retires, whichever comes first. No interest shall be charged over the period of the payment schedule. The Board may extend the five-year maximum payment period upon a showing by the member that the monthly payment amount for a five-year period would create an undue hardship upon the member.

September 17, 1996

Election rules

Supplementary rule relating to procedures for board election under c. 306 approved.

March 26, 1991

Approval of "Disability Retiree Medical Questionnaire" for use by Board in processing cases under G.L. c. 32, § 8.

November 28, 1990

Approval of "Disability Retiree Employment and Earnings Form" for use by Board.

June 20, 1990 election rules Supplementary rule authorizing a 60 day notice period for the retirement board election approved.

November 9, 1987

Creditable service

In the case of any member who established credit for part time service rendered in a governmental unit covered by this system prior to his or her current period of membership, such credit will be allowed for the amount of actual service rendered as it bears to full-time service for the same or similar position.

## **Boston Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, a second member appointed by the Mayor, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Sally D. Glora

Elected Member:	Laurence R. Curran Chairman	Term Expires:	09/30/02
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Elected Member:	Edward A. Welch	Term Expires:	09/30/02
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Appointed Member:	Brendan McDonough	Term Expires:	Indefinite
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Appointed Member:	John J. Perkins	Term Expires:	01/31/03
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The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$30,000,000
Elected Member:	)	Travelers Indemnity Company
Appointed Member:	)	(Cray Dowd)
Staff Employee:	)	

# Boston Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by The Segal Company as of January 1, 2000.

The actuarial liability for active members was	\$2,209,507,000
The actuarial liability for inactive members was	11,296,000
The actuarial liability for retired members was	1,880,580,000
The total actuarial liability was	<b>4,101,383,000</b>
System assets as of that date were	<u>\$2,979,953,000</u>
The unfunded actuarial liability was	<b><u>\$1,121,430,000</u></b>
 The ratio of system's assets to total actuarial liability was	 72.7%
As of that date the total covered employee payroll was	\$943,167

The normal cost for employees on that date was 7.79% of payroll

The normal cost for the employer was 5.60% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.50% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2000

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Cov. Payroll <u>((b-a)/c)</u>
1/1/2000	\$2,979,953,000	\$4,101,383,000	\$1,121,430,000	72.7%	\$943,167,000	118.90%
1/1/1999	\$2,772,000,000	\$3,793,000,000	\$1,021,000,000	73.1%	\$803,000,000	127.15%
1/1/1998	\$2,411,000,000	\$3,614,000,000	\$1,203,000,000	66.7%	\$768,000,000	156.64%
1/1/1997	\$2,062,000,000	\$3,173,000,000	\$1,111,000,000	65.0%	\$735,000,000	151.16%
1/1/1996	\$1,834,000,000	\$2,940,000,000	\$1,106,000,000	62.4%	\$777,000,000	142.34%
1/1/1995	\$1,509,000,000	\$2,901,000,000	\$1,392,000,000	52.0%	\$713,000,000	195.23%

## Boston Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1999**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Superannuation	375	527	421	623	623	305	756	543	338	318
Ordinary Disability	4	11	7	6	13	7	9	5	18	5
Accidental Disability	16	20	40	36	35	34	35	33	40	30
<b>Total Retirements</b>	<b>395</b>	<b>558</b>	<b>468</b>	<b>665</b>	<b>671</b>	<b>346</b>	<b>800</b>	<b>581</b>	<b>396</b>	<b>353</b>
 Total Retirees, Beneficiaries and Survivors	 12,375	 12,330	 12,314	 12,478	 12,489	 13,361	 13,691	 13,742	 13,526	 13,334
 Total Active Members	 21,703	 27,391	 26,535	 19,944	 19,371	 20,172	 20,316	 20,114	 21,634	 21,665
 <b>Pension Payments (000)</b>										
Superannuation	\$86,415	\$88,869	\$94,743	\$98,916	\$108,011	\$109,024	\$117,799	\$132,305	\$131,627	\$134,804
Survivor/Beneficiary Payments	11,707	11,836	12,698	12,860	13,196	12,353	7,310	7,468	7,794	7,575
Ordinary Disability	2,740	2,652	2,703	2,590	2,604	2,613	3,030	3,000	3,056	3,083
Accidental Disability	27,443	27,535	28,622	28,686	28,668	30,447	29,313	29,595	30,362	30,330
Other	<u>14,721</u>	<u>15,370</u>	<u>16,645</u>	<u>18,284</u>	<u>18,238</u>	<u>18,449</u>	<u>19,565</u>	<u>19,829</u>	<u>20,425</u>	<u>20,844</u>
<b>Total Payments for Year</b>	<b><u>\$143,026</u></b>	<b><u>\$146,262</u></b>	<b><u>\$155,411</u></b>	<b><u>\$161,336</u></b>	<b><u>\$170,717</u></b>	<b><u>\$172,886</u></b>	<b><u>\$177,017</u></b>	<b><u>\$192,197</u></b>	<b><u>\$193,264</u></b>	<b><u>\$196,636</u></b>